

COMMITTEE ON FINANCE
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**GAO WILL REPORT TO FINANCE PANEL AT JULY 24 HEARING
ON INVESTIGATION OF CAYMAN ISLANDS OFFICE BUILDING**

Baucus and Grassley requested probe of location listed as companies' registered office

Washington, DC – Investigators from the Government Accountability Office (GAO) will report to the U.S. Senate Finance Committee next Thursday, July 24, on their investigation of a five-story Cayman Islands building listed as the address of thousands of companies, and their evaluation of U.S. tax compliance implications. Investigators are expected to detail how many American businesses have addresses in the Uglad House and how many American corporations have subsidiaries in the Islands. Testimony will also review information on the substantial presence of hedge funds in the Cayman Islands along with other financial industries, the amount of assets involved, how easy it is for U.S. citizens to establish a Cayman Islands company, and the challenges faced by the IRS in trying to uncover offshore tax evasion.

Finance Chairman Max Baucus (D-Mont.) and Ranking Member Chuck Grassley (R-Iowa) requested the investigation last year as part of the Committee's effort to gain a greater perspective on the problem of offshore tax evasion. The Finance panel is holding a series of hearings this year to prepare for comprehensive tax reform efforts in 2009.

The hearing with GAO investigators will take place at **10:00 a.m. on Thursday, July 24, in Dirksen Senate Office Building Room 215.** A witness list will be made available in the coming days.

The text of the Senators' requesting letter from 2007 follows here.

June 5, 2007

The Honorable David M. Walker
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Walker:

Offshore tax evasion is a large and growing problem. We are concerned that U.S. taxpayers are creating offshore business entities solely to evade their U.S. tax obligations, seeking to confound I.R.S. collection efforts by obscuring the true ownership of American assets or income. Many so-called "tax haven" jurisdictions have entered into tax information exchange agreements with the U.S., giving the IRS an important tool in combating offshore tax evasion. But more can be done. Offshore tax evasion contributes to the tax gap, leaves honest taxpayers to shoulder more of the

tax burden, and threatens the viability of voluntary compliance with the lax laws. During a hearing on May 3, the U.S. Senate Committee on Finance reviewed GAO reports on Internal Revenue Service enforcement of offshore tax evasion and the qualified intermediary program. These reports helped illuminate the problem, but we need to learn more about offshore tax evasion and tax havens.

On the floor of the Senate, and in several Senate committee hearings, there has been a considerable amount of attention focused on a 5-story building in the Cayman Islands—Ugland House—that is reported to be the home of 12,748 companies. Of course, this building does not house the operations of 12,748 companies. Rather, Ugland House is home to an international law firm and is listed as the registered office for a number of entities that are organized in the Cayman Islands.

In order to help this Committee understand the significance of the offshore corporations, we would like to learn more about what is happening in this particular location—the Ugland House. Specifically, we request that GAO travel to the Cayman Islands and visit the Ugland House to determine what sorts of transactions are being conducted in that building. The Committee would like the GAO to determine (1) what business, if any, these companies carry on in the Cayman Islands; (2) what business reasons exist for incorporating in the Cayman Islands; (3) what information is available on the entities whose registered office is Ugland House, including how many are associated with U.S. citizens, residents or organizations and what information U.S. regulatory agencies may have on these corporations; (4) whether these U.S. citizens, residents or organizations are complying with U.S. tax laws with respect to their Cayman accounts or subsidiaries; and (5) the extent to which the I.R.S. has looked into the U.S. tax compliance implications of this activity. We understand that GAO may be limited in its ability to obtain information in the Cayman Islands, but we are interested in your best efforts to provide the requested information.

For purposes of this study, designated GAO representatives are authorized, pursuant to section 6103(f)(4)(A) of the Internal Revenue Code, to have access to the necessary taxpayer information.

Sincerely,

Max Baucus
Chairman

Charles E. Grassley
Ranking Member

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